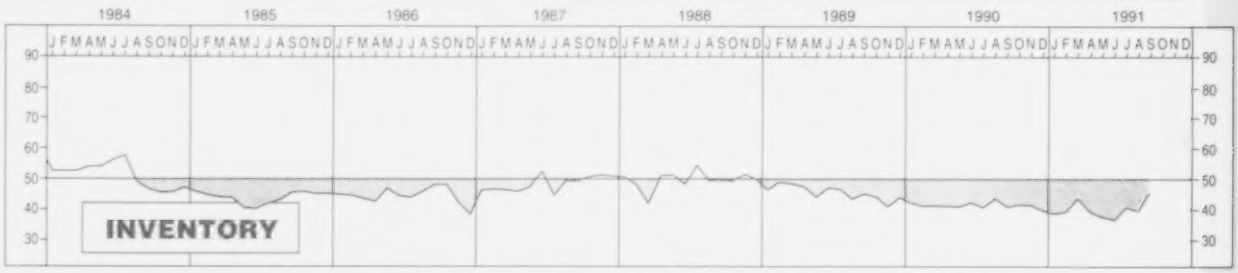
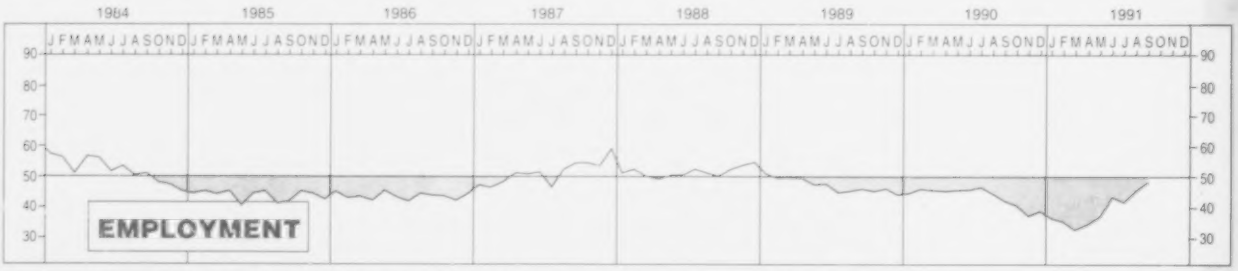


Inventories declined again in September for the 34th straight month. The Inventories Index rose to 45.7%, up sharply from 39.6% in August, and the highest since July 1989 (46.7%). In the 1982-83 recession, the Inventories Index did not exceed the 50% level until the eighth month after the recession ended. If this recovery is on a similar track, inventories should begin to grow by year-end (1991).

Inventories	%Higher	%Same	%Lower	Net	Index
September 1991	18	57	25	-7	45.7
August 1991	14	53	33	-19	39.6
July 1991	12	51	37	-25	40.7
June 1991	14	47	39	-25	36.7



Employment continued to decline in September for the 32nd straight month, although the rate of decline is the lowest in more than two years. The Employment Index rose to 48.3%, up from 45.5% in August, and the highest since April 1989 (49.4%). A similar increase in October would indicate real growth in manufacturing employment was achieved during the month.

Employment	%Higher	%Same	%Lower	Net	Index
September 1991	17	59	24	-7	48.3
August 1991	12	64	24	-12	45.5
July 1991	12	62	26	-14	41.7
June 1991	14	61	25	-11	43.3

Prices declined in September for the ninth consecutive month, although for the second straight month at the lowest rate of decline since January 1991. The Price Index rose to 48.9%, up sharply from 44.9% in August. The Price Index is still indicating continued low increases, if not decreases, in the Producer Price Index and Consumer Price Index over the remainder of the year.

Prices	%Higher	%Same	%Lower	Net	Index
September 1991	9	76	15	-6	48.9
August 1991	8	69	23	-15	44.9
July 1991	5	66	29	-24	38.3
June 1991	6	66	28	-22	39.5

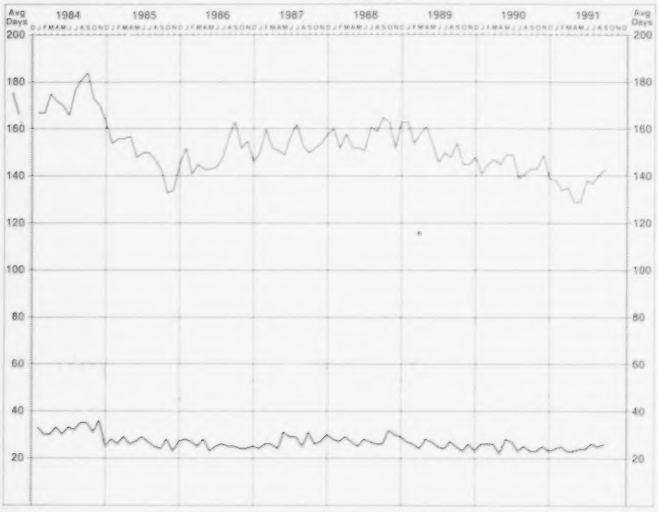
DOWN IN PRICE

Aluminum - 11th consecutive month; **Copper** - 11th consecutive month, many reports of price increases; **Platinum** - 2nd consecutive month; **Rhodium** - 2nd consecutive month (used heavily as an alloy with platinum and as a corrosion-resistant electroplate for protection of silverware from tarnishing); **Steel** - 8th consecutive month, equal number of reports of price increases; **Steel Pipe** - 3rd consecutive month; **Zinc** - 14th consecutive month; **Ferro Alloys** - Used heavily as a coating for welding rods; **Wood Pulp; Acetic Acid** - Used in making various acetates, plastics and rubber in tanning, a preservative in foods and a solvent for gums, resins and volatile oils; **Acetone; Ethanolamine** - Used in polishes, hair lotions, emulsifiers, as a dispersing agent in agricultural chemicals, and as a pharmaceutical aid; **Ethylene Glycol** - Used heavily in making antifreeze, brake fluid, plastic paint, and ink; **Fumaric Acid** - Used as a substitute for tartaric acid in beverages and baking powders, as a partial replacement for citric acid in fruit drinks, and as an antioxidant; **Glycerine** - 7th time in 9 months; **Methanol** - 5th consecutive month (used heavily as a solvent, a motor fuel additive, and in synthesizing other chemicals); **Sulfur** - 3rd consecutive month; **Sulfuric Acid** - 2nd consecutive month (used heavily in making fertilizers, dyes, adhesives, and other acids); **Plastic Resins** - 7th consecutive month; **Plastic Products** - 5th consecutive month; **Polyethylene** - 7th consecutive month (used heavily in making plastic packaging materials, kitchenware, tank and pipe linings, paper coatings, and textile stiffeners); **Polypropylene** - 9th consecutive month (used heavily in making plastic fabric, yarns, carpets, and packaging materials); **Disc Drives; DRAMS (256K, 1 and 4 Megabyte); Beef** - 2nd consecutive month; **Corn** - 3rd time in 5 months; **Orange Juice** - 2nd consecutive month — some reports of price increases; **Apple Juice** - 3rd consecutive month; **Tomatoes; Tomato Paste; Sugar** - Some reports of price increases.

BUYING POLICY

Average leadtimes lengthened for all three categories of purchases in September, confirming the growth in the economy. Average leadtimes for Capital Expenditures rose to 143 days, up from 140 days in August and 137 days in July, and the longest since November 1990 (149 days). This is a positive sign that the lagging Capital Expenditures category is finally showing signs of life.

Average leadtimes for Production Materials lengthened to 45 days, up from 40 days in August, although still less than 47 days in July. Average leadtimes for Maintenance, Repair, and Operating (MRO) Supplies rose to 26 days, up from 25 days in August, and along with July, the most since June 1990 (27 days).

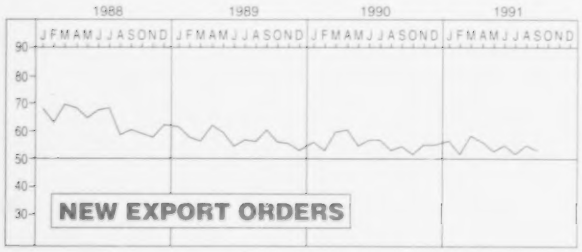


PERCENT REPORTING

Capital Expenditures	Hand to Mouth	30 Days	60 Days	90 Days	6 mos. and Longer	1 year + Days	Avg. Days
September 1991	12	8	12	23	28	17	143
August 1991	12	7	15	21	29	16	140
July 1991	12	6	15	23	30	14	137
June 1991	11	8	12	24	31	14	138

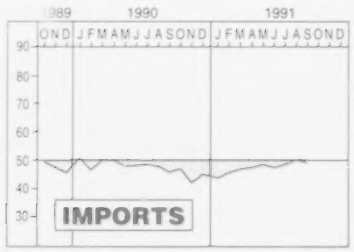
Production Materials	Hand to Mouth	30 Days	60 Days	90 Days	6 mos. and Longer	1 year + Days	Avg. Days
September 1991	23	39	25	9	3	1	45
August 1991	21	45	24	8	2	0	40
July 1991	19	43	28	6	2	2	47
June 1991	19	44	26	8	2	1	44

MRO Supplies	Hand to Mouth	30 Days	60 Days	90 Days	6 mos. and Longer	1 year + Days	Avg. Days
September 1991	44	39	13	3	1	0	26
August 1991	45	40	11	3	1	0	25
July 1991	41	45	11	2	1	0	26
June 1991	42	45	10	3	0	0	24



New Export Orders grew again in September although at a lesser rate than in August. The New Export Orders Index, not seasonally adjusted, fell to 53.5%, down from 55.0% last month. Members exporting remained the same as in August and the average for all of 1991 to date (77%).

New Export Orders	%Exporting	%Better	%Same	%Worse	Net	Index
September 1991	77	18	71	11	+7	53.5
August 1991	77	20	70	10	+10	55.0
July 1991	78	18	69	13	+5	52.5
June 1991	78	24	62	14	+10	55.0



Imports declined in September for the 15th time in the past 16 months. The Imports Index, not seasonally adjusted, fell to 49.0 % in September, down from 50.0% in August. The 50.0% registered in August, although not indicating growth, was the highest level reached since April and March 1990 (both at 50.0%). The 79% of members importing in September was up from 76% in August and the most since last September (81%).

Imports	%Importing	%Higher	%Same	%Lower	Net	Index
September 1991	79	10	78	12	-2	49.0
August 1991	76	13	74	13	0	50.0
July 1991	78	11	74	15	-4	48.0
June 1991	77	9	77	14	-5	47.5

DATA AND METHOD OF PRESENTATION

The **Report on Business** is based on data compiled from monthly replies to questions asked of purchasing executives in over 300 industrial companies. Membership of the Business Survey Committee is diversified geographically, based on value added by state, and by Standard Industrial Classification (SIC) category, based on each industry's contribution to Gross National Product (GNP). Twenty industries in 50 states are represented on the committee.

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured [New Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Employment and Prices], this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries), and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index.

Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive). The resulting single index number is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements and differences attributable to non-moveable holidays. All seasonal adjustment factors are supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. A sufficient history is not yet available for the New Export Orders and Imports Indexes to determine seasonal adjustment factors. Therefore, these two indexes are not seasonally adjusted. The Purchasing Managers' Index (PMI) is a composite index based on the seasonally adjusted diffusion indexes for five of the indicators (New Orders, Production, Supplier Deliveries, Inventories and Employment) with varying weights applied.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50% indicates that the economy is generally expanding; below 50%, that the economy is generally declining. The distance from 50% is indicative of the strength of the expansion or decline.

Responses to Buying Policy reflect the percent reporting the current months lead time, the approximate weighted number of days ahead for which commitments are made for Production Materials, Capital Expenditures and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (5 days), 30 days, 60 days, 90 days, 6 months (180 days), a year or more (360 days) and the weighted average number of days. These responses are raw data, never revised and not seasonally adjusted since there is no significant seasonal pattern.